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## Pakistan

**Post:** Islamabad

### Pakistan Government Procures Over 9 MMT Wheat

#### Report Categories:

Grain and Feed

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#### Report Highlights:

The GOP has so far purchased 9.06 MMT of wheat as compared to 3.9 MMT purchased last year. This is the largest ever wheat procurement operation conducted by the GOP. At USD 297 per ton, the GOP has so far spent USD 2.69 billion (Rs. 215.3 billion) on wheat procurement as compared to USD 760 million (Rs. 61 billion) spent last year. This massive influx of cash to the rural economy will have far-reaching socioeconomic effects.

#### General Information:

##### GOP Raises 2009/10 Wheat Procurement Price by 52 Percent

Just before the start of the 2009/10 wheat sowing season, the Government of Pakistan (GOP) increased the wheat procurement price for the next crop by 52% from Rs. 625 (USD 7.80) to Rs. 950 (USD 11.90) per 40 kilos. In Pakistan, where government announcements usually lack credibility, farmers were skeptical about the GOP's desire to procure

such a large quantity of wheat at a much higher price than expected. While the initial procurement target was 6 MMT, the GOP has declared that it will continue to buy wheat as long as farmers are willing to sell it.

### **Arranging Money: A Daunting Task**

Official government agencies have always been the biggest buyers in the wheat market, normally procuring a major chunk of tradable surplus. These purchases stabilize the market on the higher side as the GOP enters with ready cash of Rs. 50 to 60 billion (USD 625 to 750 million). This year, however, the GOP faced the daunting task of arranging three times more money than in the previous year due to the increase in both the price and quantity to be procured. Given the liquidity crunch with banks and debt cycle of government agencies already hitting a staggering Rs. 450 billion (USD 5.6 billion), it was uncertain if the required funding could actually be arranged.

As the GOP wheat procurement operation for this year reaches a close, it is clear that not only did the GOP manage to secure the necessary cash but the procurement process was operated in a surprisingly transparent and efficient manner.

### **Record Wheat Procurement by the Government**

The GOP has so far purchased 9.06 MMT of wheat as compared to 3.9 MMT purchased last year. This is the largest ever wheat procurement operation conducted by the GOP.

The procurement breakdown in MMT follows:

Punjab	5.739
Sindh	1.184
NWFP	69
PASSCO:	2.068
Total	9.060

### **Influx of Money in the Rural Economy will Help Alleviate Poverty**

At USD 297 per ton, the GOP has so far spent USD 2.69 billion (Rs. 215.3 billion) on wheat procurement as compared to USD 760 million (Rs. 61 billion) spent last year. In Pakistan, 75 percent of the population lives under \$2 a day. As an increase in the poverty level is often linked to an increase in militant activity, this massive influx of cash to the rural economy will have far-reaching socioeconomic effects.